



October 12, 2018

Grace Power  
NJBPU Chief of Staff  
Energy Master Plan Chair

Energy Master Plan Chair Grace Power:

**Re: Business Support for Energy Efficiency and Demand Response in the New Jersey Energy Master Plan**

As a group of diverse businesses including manufacturers, service providers, trade associations, and companies with significant New Jersey presence, investments, and interests, we strongly support the consideration of energy efficiency and demand response as part of ongoing energy planning discussions in the state.

Our companies have a successful history of doing business in New Jersey and understand firsthand how the state's energy policies affect the cost of doing business and the state's economic competitiveness.

All New Jersey consumers and businesses benefit when we eliminate energy waste. By investing in energy efficiency and demand response, we can reduce total energy costs for all customers; mitigate the impact of fuel and electricity price increases; alleviate stress on the electricity grid; and build a more affordable, reliable energy system for the businesses and citizens of the state.

Energy efficiency programs and investments are the lowest-cost energy resources available and deliver significant value. For example, according to 2015 Energy Master Plan, every dollar invested in efficiency programs from 2003 - 2010 saved New Jersey residents and businesses between \$1.80 - \$4.29 in electric power costs.<sup>1</sup> All New Jersey consumers and businesses experienced these benefits — whether or not they participated directly in programs. For New Jersey consumers and businesses, electricity bills would have been higher if other more expensive energy resources were pursued.

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<sup>1</sup>State of New Jersey Board of Public Utilities, In the Matter of the Comprehensive Energy Efficiency and Renewable Energy Resource Analysis for the Fiscal Year 2016 Clean Energy Program, June 17, 2015, <https://www.state.nj.us/bpu/pdf/boardorders/2015/20150617/6-17-15-8E.pdf>

Consequently, energy efficiency helps to keep costs under control. These electricity savings compound across the supply chain and free-up significant capital that can be reinvested into operations, research and development, employees, and communities.

Energy efficiency also helps large commercial and industrial customers compete on a national and international scale. These businesses are often capital-constrained and face stringent return-on-investment criteria. Energy efficiency programs, and the associated technical assistance and rebates they provide, can make the difference in a company's decision to invest in New Jersey or elsewhere. When deciding where to invest and locate, companies often look at the clean energy policies and programs that states have adopted.

Finally, New Jersey's energy efficiency industry supports more than 33,000 in-state jobs.<sup>2</sup> Importantly, these jobs are in hands-on fields like construction, installation, and project management, so they can't be outsourced. They represent the kinds of jobs that New Jersey needs more of.

For all of these reasons, we recognize and applaud New Jersey's energy efficiency leadership with the recent enactment of Assembly Bill 3723 (A-3723). Together with the New Jersey's re-entry into the Regional Greenhouse Gas Initiative (RGGI) and the Administration's work to develop a five-year Master Energy Plan, these actions will help to drive new energy efficiency investment and advance a modern, clean electricity grid. As the Murphy Administration continues to develop a sound energy plan for the state, we encourage you to build upon these successes by considering the following opportunities to drive increased efficiency investment, reduce costs, create jobs, and strengthen our economy.

1. **Ensure the continuity and stability of energy efficiency investments and offerings.** Abrupt stops and starts of energy efficiency programs introduce uncertainties that make it harder for businesses to make long-term investment plans and workforce decisions. Additionally, any reduction in energy efficiency program investment means that New Jersey would forgo its least expensive energy option for more expensive alternatives. As a result, *all* New Jersey customers would pay more. Steps should be taken to ensure the continuity of energy programs from year-to-year through multi-year planning. Additionally, as new energy efficiency administrative models are explored as a result of A-3723, it is critical that steps are taken to ensure that new utility-proposed programs and Office of Clean Energy (OCE) programs are consistent, complementary, and maintain a strong customer-centric approach. Steps should also be taken to ensure that funds collected for energy efficiency are preserved and not diverted for unrelated purposes.
2. **Invest RGGI auction proceeds in energy efficiency.** A portion of RGGI revenues should be invested in energy efficiency projects and programs. For

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<sup>2</sup> New Jersey: Energy Efficiency Jobs in America, September 2018, <https://www.e2.org/wp-content/uploads/2018/09/NEW-JERSEY-Dist.pdf>

example, auction revenues could be leveraged to expand the reach of utility and OCE programs, support improvements in public buildings, invest in combined heat and power (CHP),<sup>3</sup> or provide technical assistance for energy efficiency projects in the commercial and industrial sectors. Steps should also be taken to ensure that these funds are not diverted for purposes unrelated to clean energy.

3. **Explore alignment of utility financial interests with New Jersey’s public policy goals — as appropriate.** Investments in energy efficiency can be better supported when utilities are appropriately rewarded for their performance and involvement. Utility performance incentives and full revenue per customer decoupling should be explored as potential mechanisms to align utility financial interests with the benefits of increased energy efficiency investment, as appropriate.
4. **Implement peak-saving demand response programs.** The passage of A-3723 established a pathway for implementing peak-saving demand response programs. These programs have been shown to deliver \$2.00 in value for every \$1.00 invested. They also save all customers money by “right-sizing” the distribution system and avoiding costly capital investments to meet system peak. Programs should be developed for commercial customers and implemented to complement existing programs offered through the PJM Interconnection. Residential demand response programs should be reviewed for design and implementation of best practices.
5. **Implement pay-for-performance (P4P) energy efficiency programs.** P4P programs track and reward energy savings in real-time by leveraging data from customers’ energy meters. P4P promises to revolutionize energy efficiency by replacing centralized programs with animated markets that are flexible, technology-agnostic, and that pay efficiency aggregators for actual savings at the meter. Several states, including New York, California, Oregon, and Massachusetts are adopting P4P approaches.

We welcome further discussion on how we can support your efforts to advance energy efficiency policy for the state. We stand ready to work with you and would welcome the opportunity to meet with you and your staff. We would also be happy to provide additional information about the benefits that energy efficiency could deliver for the New Jersey in the future.

Sincerely,

AB Energy

Alliance for Industrial Efficiency

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<sup>3</sup> CHP can offer clean, on-demand dispatchable power, be easily configured to provide spinning reserve and ancillary services, support grid resiliency as a key component of hybrid microgrid systems, and serve as a non-wires alternative.

Ameresco, Inc.  
Cree, Inc.  
Dow  
Ingersoll Rand  
Lime Energy  
MaGrann Associates  
National Association of Energy Service Companies (NAESCO)  
National Electrical Manufacturers Association (NEMA)  
Open EE  
Performance systems Development  
Schneider Electric  
Sealed  
Sterling and Wilson Cogeneration Solutions  
ThinkEco  
United Technologies

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